

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 L-03 H-01 PA-01 PRS-01 FEA-01  
OES-06 AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-07  
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SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 DODE-00  
NSCE-00 SSO-00 USIE-00 INRE-00 /085 W  
-----220231Z 055940 /20

O R 212320Z APR 77  
FM AMEMBASSY QUITO  
TO SECSTATE WASHDC IMMEDIATE 4028  
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2613

FOR DELIVERY OPENING OF BUSINESS APRIL 22

E.O. 11652: GDS  
TAGS: EINV, ENRG, PFOR, EC  
SUBJECT: GULF-GOE NEGOTIATIONS

1. BEGIN SUMMARY. CHARGE CALLED ON NATRES SUBSECRETARY PARODI (WHO WAS ACCOMPANIED BY DIRECTORS OF CEPE AND DGH) THIS MORNING (APRIL 21), AT REQUEST OF GENERAL DURAN, TO HEAR GOE'S REASONS FOR DELAYS IN SIGNING OF THE "ACTA" TO SETTLE DECREE 285. PARODI'S EXPLANATION WAS THAT: (A) THE NATRES MINISTRY VIEWS SIGNING OF THE ACTA AS A PREREQUISITE FOR SIGNING OF THE MAIN CONVENIO, SINCE THE CONVENIO INCLUDES A QUITCLAIM WHICH WOULD THEN PRECLUDE RESOLUTION OF THE GOE'S CLAIMS BASED ON DECREE 285; AND (B) BEFORE THE SIGNING OF THE ACTA, THE GOE NEGOTIATORS MUST BE SURE IT SETTLES IN A JUSTIFIABLE MANNER EACH AND EVERY OUTSTANDING ISSUE RELATING TO DECREE 285, BECAUSE THE GOE NEGOTIATORS WILL HAVE TO JUSTIFY THEIR ACTIONS TO THE ECUADOREAN PRESS AND PUBLIC (WHILE, PARODI ASSERTED, GULF WILL NOT BE SUBJECT TO PUBLIC SCRUTINY, AND THEREFORE CAN AFFORD TO BE FLEXIBLE IN ITS POSITIONS). PARODI INDICATED HE  
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BELIEVES THAT GULF HAS BEEN EMPLOYING OBSTRUCTIONARY TACTICS BECAUSE GULF IS SOMEHOW BENEFITTING FINANCIALLY FROM THE DELAY IN THE SIGNING OF THE CONVENIO. CHARGE MAINTAINED STRONGLY THAT GULF HAS BEEN NEGOTIATING IN GOOD FAITH; THAT DELAY IS FINANCIALLY DELETERIOUS TO GULF, WHICH MUST ANSWER TO ITS STOCKHOLDERS; THAT SETTLEMENT RE DECREE 285 HAS NEVER BEEN A PREREQUISITE

FOR SIGNING OF THE CONVENIO; AND THAT DELAY WOULD SERIOUSLY AFFECT WASHINGTON'S VIEW OF ECUADOREAN SECURITY MATTERS. IN DISCUSSION OF SPECIFIC STICKING POINTS RE DECREE 285, PARODI APPEARED TO MAKE SOME CONCESSIONS, AND AGREED TO MEET WITH GULF THIS AFTERNOON. END SUMMARY.

2. GENERAL DURAN CALLED CHARGE EARLY THIS MORNING (APRIL 21), PRESUMABLY IN RESPONSE TO CHARGE'S CALL EVENING BEFORE ON FINANCE MINISTER SEVILLA. DURAN TOLD CHARGE THAT DELAYS IN SIGNING THE 285 "ACTA" WERE PRINCIPALLY GULF'S FAULT; THAT GULF HAD APPEARED TO AGREE ON ONE DRAFT OF THE ACTA AND THEN IN EFFECT PRESENTED ANOTHER; AND THAT GULF HAD NOT EVEN APPEARED AT A MEETING SET FOR YESTERDAY TO DISCUSS THESE MATTERS. DURAN ASKED CHARGE TO MEET WITH SUBSECRETARY PARODI TO HEAR THE GOE'S SIDE OF THE STORY IN DETAIL. CHARGE RESPONDED THAT HE WOULD BE VERY PLEASED TO MEET WITH PARODI AND COMPARE VERSIONS OF WHY AGREEMENT HAD NOT YET BEEN SIGNED, SINCE GULF ACCOUNT OF NEGOTIATIONS PLACED MAJOR BLAME ON GOE.

3. CHARGE, E/C COUNSELOR AND PETROLEUM OFFICER CALLED ON PARODI LATER IN THE MORNING. ALSO PRESENT WERE CEPE MANAGER COL. HECTOR MIRANDA, AND DIRECTOR OF HYDROCARBONS LEONARDO ESTUPINAN. PARODI GAVE SUMMARY OF MAIN EVENTS IN GOE-GULF RELATIONSHIP OVER PAST TWO YEARS, AND THEN PROCEEDED TO CLAIM THAT DECREE 285 MUST BE SETTLED BEFORE THE MAIN CONVENIO IS SIGNED SINCE THE CONFIDENTIAL

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CONVENIO'S QUITCLAIM CLAUSE WOULD OTHERWISE PRECLUDE SETTLEMENT OF THIS ISSUE AFTER THE CONVENIO HAS BEEN SIGNED. PARODI ASSERTED THAT GULF COULD AFFORD TO BE FAR MORE FLEXIBLE THAN GOE NEGOTIATORS, WHO WILL HAVE TO BE ABLE TO JUSTIFY THEIR EVERY ACTION TO THE ECUADOREAN PRESS AND PUBLIC. THE SUBSECRETARY IMPLIED THAT GULF'S NEGOTIATING TACTICS HAD AT TIMES BEEN PURPOSEFULLY MISLEADING, AND EXPRESSED PARTICULAR DISPLEASURE THAT GULF HAD, AS HE PUT IT, TABLED A NEW DRAFT OF THE 285 ACTA AFTER LEADING THE GOE TO BELIEVE THAT GULF WAS READY TO AGREE TO AN EARLIER DRAFT.

4. CHARGE EMPHASIZED TO PARODI THAT GULF HAS CONSISTENTLY NEGOTIATED IN GOOD FAITH AND THAT THIS NEW DRAFT ACTA ACTUALLY REPRESENTED A CONCESSION BY GULF IN AN ATTEMPT TO BREAK A STALEMATE IN THE NEGOTIATIONS. CHARGE NOTED THAT, IN GULF'S VIEW, MID-LEVEL TECHNICIANS IN CEPE AND THE DGH WERE EFFECTIVELY SCUTTling THE AGREEMENT. CHARGE POINTED OUT THAT BOTH GULF AND THE USG HAD

BEEN LED TO BELIEVE LAST JANUARY THAT THE ONLY REMAINING IMPEDIMENT TO SIGNING THE CONVENIO WAS THE GOE'S LACK OF FINANCING TO PAY GULF, A LACK NOW OVERCOME; AND THAT FURTHER DELAYS WOULD UNAVOIDABLY AFFECT THE AMBASSADOR'S ABILITY TO PRESENT THE GOE'S CASE IN WASHINGTON REGARDING GOE SECURITY NEEDS.

5. DURING DISCUSSION OF SPECIFIC CONTESTED ISSUES, PARODI MAINTAINED THAT GULF MUST HAVE MISUNDERSTOOD SOME ASPECTS OF THE GOE POSITION, AND THAT GULF HAD NOT CLEARLY ARTICULATED ITS OWN OBJECTIONS TO VARIOUS POINTS IN THE ACTA. (FOR EXAMPLE, ESTUPINAN CLAIMED THAT THE DGH HAD NEVER DISALLOWED GULF THE UPSTREAM LINE FILL.) PARODI SHOWED THE EMBOFFS SOME FIGURES THAT THE DGH COULD AGREE TO IMMEDIATELY (SUCH AS A PRODUCTION COST OF 51 CENTS A BARREL), WHICH HAD NOT BEEN PREVIOUSLY DISCUSSED WITH GULF. PARODI ALSO  
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INDIRECTLY ADMITTED THAT GULF HAD NOT BEEN INVITED TO MEET WITH GOE ON PREVIOUS DAY (APRIL 20).

6. CHARGE THEN ASKED PARODI IF HE WOULD BE WILLING TO MEET WITH GULF; AND A MEETING HAS BEEN ARRANGED FOR THIS AFTERNOON.

7. THE CHARGE TOLD MIRANDA THAT IF SATISFACTORY PROGRESS WAS NOT ACHIEVED IN AFTERNOON MEETING, HE WOULD APPRECIATE MIRANDA CALLING HIM SO THAT EMBASSY WOULD HAVE AN ASSESSMENT FROM BOTH SIDES. MIRANDA AGREED TO DO SO.

8. ABOVE INFORMATION HAS BEEN RELAYED TO LOCAL GULF OFFICIALS, WHO EXPRESSED APPRECIATION FOR THE EMBOFFS' INTERVENTION, AND COMMENTED THAT SOME OF THE STATEMENTS MADE TO EMBOFFS BY PARODI AND ESTUPINAN SEEMED TO INDICATE A FAVORABLE EVOLUTION IN GOE POSITIONS RE SOME OF THE STICKING POINTS.  
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## Message Attributes

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